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## **GENERAL FUND EXPENDITURE PERFORMANCE**

### **Contents**

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  - Discussion of Significant Departmental Variances and Other Issues
  - Highlights of Non-Departmental Expenditures and Variances
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### **Definitions**

In the discussions contained in this document, the following definitions are used:

*Budget* – refers to 2005-2006 appropriations as modified by Council through June 30, 2006, plus 2004-2005 carryover encumbrances.

*Expenditure* – refers to actual 2005-2006 expenses plus encumbrances.

*Year-End Estimate* – refers to the City Manager's Budget Office's projection of year-end expenditures and encumbrances that were used to develop the General Fund beginning fund balance estimate used in the 2006-2007 Adopted Budget.

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### **Overview**

As shown in the following table, General Fund expenditures and encumbrances through June 30, 2006 totaled \$741.9 million. This expenditure total was up \$49.3 million, or 7.1%, from the June 2005 level of \$692.6 million, but was \$218.7 million below (down 22.8%) the modified budget total of \$960.6 million. Excluding \$144.2 million in reserves, the remaining savings were \$74.5 million (10.0%).

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## GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

### Overview (Cont'd.)

**TABLE B**  
**2005-2006**  
**BUDGET TO ACTUAL VARIANCES**  
**(In 000s)**

Category	Modified Budget	Actual	Variance	% Variance
<i>Personal Services</i>	\$ 519,302	\$ 508,114	\$ 11,188	2.2%
<i>Non-Personal/Equipment/Other</i>	95,306	87,086	8,220	8.6%
<i>City-Wide Expenses</i>	170,020	129,767	40,253	23.7%
<i>Capital Contributions</i>	25,320	10,465	14,855	58.7%
<i>Transfers</i>	6,432	6,432	-	0.0%
<i>Reserves</i>	144,227	-	144,227	100.0%
<b>TOTAL GENERAL FUND</b>	<b>\$ 960,607</b>	<b>\$ 741,864</b>	<b>\$ 218,743</b>	<b>22.8%</b>

The expenditure savings achieved represents by far the largest element of the General Fund's total ending fund balance.

Due to continued projections for a 2006-2007 General Fund shortfall, for the fifth year in a row, in November 2005, departments were required to submit 2005-2006 Cost/Position Management Plans and meet reduction targets of 2% for all departments with the exception of the Police and Fire Departments, Appointees and the Independent Police Auditor's Office who had a reduction target level of 1%. Appropriations were decreased during the Mid-Year Budget Review to reflect these reduction targets. Even with reduced budgets, as reflected in Table D found later in this section, significant departmental savings were still achieved by year-end. Those departments with significant variances beyond those expected are discussed later in this document.

As can be seen in the above chart, the largest single category of savings occurred, as planned, in the Reserves category (\$144.2 million). The most significant reserve categories remaining at year-end included the following: 2006-2007 Future Deficit Reserve (\$18.4 million); Development-Related Activities Reserves (\$15.3 million); Workers' Compensation Reserve (\$10.0 million); Enhanced Park Maintenance Reserve (\$6.9 million); and Future Capital Projects (FF&E) Reserve (\$5.2 million). Additional, detailed discussion of the reserve status can be found later in this section of the document.

Personal Services savings of \$11.2 million totaled only 2.2%. This relatively small savings level was approximately as anticipated, and was also very close to the levels experienced in recent years: 2004-2005 at 1.3%; 2003-2004 at 0.8%; 2002-2003 at 1.1%; 2001-2002 at 1.8%; 2000-2001 at 2.1%; and 1999-2000 at 1.5%.

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## GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

### Overview (Cont'd.)

The very small savings level reflects a number of factors: the prospective savings that were removed from departmental budgets during the year as part of the Cost/Position Management Plan process, the budgeted vacancy factors included in almost all departmental budgets, and the tight staffing situation imposed by four straight years of position eliminations. The majority of personal services savings that were achieved at year-end were generated by three departments: Police (\$2.1 million); Fire (\$1.7 million); and Parks, Recreation and Neighborhood Services (PRNS) (\$1.5 million). The Personal Services savings in all departments were primarily generated from vacant positions.

General Fund Non-Personal/Equipment/Other<sup>1</sup> expenditures and encumbrances ended the year at \$87.1 million, generating savings from the budgeted level of approximately \$8.2 million (8.6%). A portion of these savings (\$5.6 million) was rebudgeted into 2006-2007 as part of the Adopted Operating Budget. The majority of departmental rebudgets were generated by the following departments: Police (\$2.1 million); Planning, Building, and Code Enforcement (\$878,000); Transportation (\$611,000); Information Technology (\$548,000); and Fire (\$420,000). After factoring in these rebudgets, adjusted Non-Personal/Equipment/Other savings totals approximately \$2.6 million (2.8%).

The significant variances in the City-Wide Expenses and Capital Contributions categories are discussed in *Highlights of Non-Departmental Expenditures and Variances* that can be found later in this section.

In formulating the beginning fund balance estimate included in the 2006-2007 Adopted Budget, the Budget Office utilized projections for year-end expenditure savings. As shown in the following Table C, the actual General Fund Expenditures, Transfers, and Reserves of \$741.9 million were \$45.0 million below (5.7%) the estimated level. This performance, however, primarily reflects a number of projects in both City-Wide Expenses and Capital Contributions that were not completed as planned and are now recommended to be rebudgeted as a part of this document. Also included in this variance is a net \$3.0 million of Fee Program related net expenditure and revenue savings that is recommended to be added to the Fee Reserves to reconcile actual fee program expenditures/revenues for 2005-2006.

Nearly all the year-end fund balance variance was in the expenditures subcategory, which was approximately \$42.5 million below (5.5%) the budgeted estimate of \$786.8 million. After considering recommended rebudgets/technical adjustments in this report of \$16.3 million, the net variance from the budgeted estimate was \$26.2 million (3.4%) of the estimated expenditure subtotal.

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<sup>1</sup> The "Other" category expenditures are primarily comprised of budgets for the Library Department grants program and the Parks, Recreation and Neighborhood Services fee activities program.

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**GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)**

**Overview (Cont'd.)**

**TABLE C**  
**2005-2006**  
**BUDGETED ESTIMATE TO ACTUAL VARIANCES**  
**(In 000s)**

Category	Estimate	Actual	Variance	% Variance
<i>Expenditures</i>	\$ 777,919	\$ 735,432	\$ 42,487	5.5%
<i>Transfers</i>	6,432	6,432	-	0.0%
<i>Reserves</i>	<u>2,497</u>	<u>-</u>	<u>2,497</u>	100.0%
<i>Total</i>	\$ 786,848	\$ 741,864	\$ 44,984	5.7%

**Review of General Fund Expenditure Performance**

Departmental costs (\$595.2 million) represented approximately 80.2% of total 2005-2006 General Fund expenditures. As can be seen in Table D, all departments remained within their total budget allocation and expended a cumulative 96.8% of their budgets. Of the City departments/offices, ten had expenditure savings of less than 5.0% and eight had savings between 5.0-10.0%.

Those departments with General Fund expenditure variances over 5.0% and a minimum value of \$400,000 are discussed in detail in the following section. In addition, the year-end status of expenditures for both the Police and Fire Departments are also summarized.

Non-departmental expenditures totaled \$146.7 million, or 19.8% of the total 2005-2006 General Fund expenditures. In this category, 72.7% of the amount budgeted (excluding reserves) was expended. The reserves represent the largest portion of the unexpended funds and, as planned, are being carried over or utilized in 2006-2007. It is also important to note that the majority of savings in the City-Wide Expenses and Capital Contributions categories have been or will be rebudgeted to the new fiscal year for their intended uses.

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## GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

### Review of General Fund Expenditure Performance (Cont'd.)

**TABLE D**  
**TOTAL GENERAL FUND EXPENDITURES (In \$000s)**

Departmental	2005-2006 Modified Budget	2005-2006 Expenditures	Variance	% Variance
City Attorney	\$ 13,203	\$ 12,205	\$ 998	7.6%
City Auditor	2,238	2,126	112	5.0%
City Clerk	2,700	2,446	254	9.4%
City Manager	8,848	8,501	347	3.9%
Economic Development	5,248	4,750	498	9.5%
Emergency Services	328	317	11	3.4%
Employee Services	6,027	5,917	110	1.8%
Environmental Services	1,511	1,223	288	19.1%
Finance	10,068	9,494	574	5.7%
Fire	126,509	124,418	2,091	1.7%
General Services	21,176	20,637	539	2.5%
Independent Police Auditor	704	680	24	3.4%
Information Technology	14,479	13,565	914	6.3%
Library	24,682	23,276	1,406	5.7%
Mayor & City Council	7,629	6,403	1,226	16.1%
Parks, Recreation & Neighborhood Services	53,634	51,588	2,046	3.8%
Planning, Building & Code Enforcement	33,272	30,611	2,661	8.0%
Police	241,232	236,958	4,274	1.8%
Public Works	7,745	7,605	140	1.8%
Redevelopment Agency	1,414	1,151	263	18.6%
Transportation	31,961	31,329	632	2.0%
<b>Subtotal</b>	<b>614,608</b>	<b>595,200</b>	<b>19,408</b>	<b>3.2%</b>
<b>Non-Departmental</b>				
City-Wide Expenses	170,020	129,767	40,253	23.7%
Capital Contributions	25,320	10,465	14,855	58.7%
Transfers	6,432	6,432	-	0.0%
Earmarked Reserves	120,878	-	120,878	100.0%
Contingency Reserve	23,349	-	23,349	100.0%
<b>Subtotal</b>	<b>345,999</b>	<b>146,664</b>	<b>199,335</b>	<b>57.6%</b>
<b>TOTALS</b>	<b>\$ 960,607</b>	<b>\$ 741,864</b>	<b>\$ 218,743</b>	<b>22.8%</b>

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## **GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)**

### **Discussion of Significant Departmental Variances and Other Issues**

- *City Attorney*

The City Attorney's Office expended 92.4% of its General Fund Budget with resulting savings of \$998,000. The majority of this variance is related to Personal Services expenditures, which were 10.3% below (down \$992,000) budgeted levels as a result of salary savings due to vacant positions and lower overtime usage. Non-Personal/Equipment expenditures and encumbrances essentially met the budget estimate, ending the year only 0.2% below (down \$6,000) budgeted levels.

- *Economic Development*

The Economic Development Department expended 90.5% of its General Fund Budget with resulting savings of \$498,000. Personal Services expenditures were 2.1% below (down \$60,000) budgeted levels as a result of salary savings due to vacant positions and savings due to lower overtime usage. Non-Personal/Equipment expenditures and encumbrances were 18.3% below (down \$437,000) budgeted levels. These savings were mainly due to projects that will continue into 2006-2007. Rebudgets totaling \$241,000 were included in the Adopted Budget to complete activities such as cultural development activities, economic impact model and survey, and information technology infrastructure and training. Also included in this report are recommendations to rebudget the remaining balance (\$196,000) for cultural development and exchange activities, public art plan, and festival grants.

- *Finance*

The Finance Department expended 94.3% of its General Fund Budget with resulting savings of \$574,000. Personal Services expenditures were 3.6% below (\$317,000) budgeted levels as a result of salary savings due to vacant positions, including two Deputy Director-level positions, as well as lower than budgeted overtime usage. Non-Personal/Equipment expenditures were 18.9% below (\$257,000) budgeted levels. A portion of the total Non-Personal/Equipment savings (\$228,000) was rebudgeted to 2006-2007 as part of the Adopted Budget to implement the Business Tax Amnesty Program.

- *Fire*

At the end of 2005-2006, the Fire Department had expended 98.3% of its total modified budget of \$126.5 million, with resulting savings of \$2.1 million. The Personal Services appropriation of \$120.1 million was 98.6% expended, with savings of \$1.7 million. Savings occurred primarily due to vacancy savings, including vacancies experienced in the Fire Fee Program. Overtime expenditures of \$12.5 million ended the year \$316,000 below the

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**GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)**

**Discussion of Significant Departmental Variances and Other Issues (Cont'd.)**

- *Fire (Cont'd.)*

modified budget level of \$12.8 million. Overtime usage is largely attributed to fulfilling minimum staffing requirements. For 2005-2006, the overtime budget included a significant augmentation of overtime expenses based on Budget Office and Fire Department analysis as reported to Council through the Making Government Work Better Committee.

The Fire Department ended 2005-2006 with a total of 236 filled paramedics (140 front-line, 5 Supervisors, and 91 support). This is compared to the 147 front-line medics that are necessary to fully staff all apparatus. An 18-week firefighter recruit academy began in April 2006 consisting of 31 recruit paramedics. These 31 graduated on August 25, 2006 and are expected to complete their accreditation in mid-October 2006. With these accredited paramedics, it is anticipated that the Department will meet the goal of 147 front-line medics that are necessary to fully staff all apparatus. In order to maintain the appropriate staffing levels necessary, a new Firefighter Academy recently began in August 2006 at the time of the writing of this document.

The Department's Non-Personal/Equipment budget was 93.4% expended, with year-end savings of \$420,000.

- *Information Technology*

The Information Technology Department expended 93.7% of its General Fund Budget with resulting savings of \$914,000. Personal Services expenditures were 2.8% below (down \$276,000) budgeted levels as a result of salary savings due to vacant positions and savings due to lower overtime usage. Non-Personal/Equipment expenditures and encumbrances were 14.0% below (down \$639,000) budgeted levels. These savings were mainly attributed to the change in the scheduled installation of Server SAN, resulting in 2005-2006 savings of \$445,000. A portion of the total Non-Personal/Equipment savings (\$80,000) was rebudgeted to 2006-2007 as part of the Adopted Budget to complete the installation of City-owned fiber-optic cable from City Hall to the Central Service Yard.

- *Library*

The Library Department expended 94.3% of its General Fund Budget with resulting savings of \$1.4 million. Personal Services expenditures were 4.8% (\$945,000) less than budgeted, due to salary savings from vacant positions. Non-Personal/Equipment expenditures and encumbrances were 8.9% (\$377,000) lower than budgeted levels. All General Fund non-

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**GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)**

**Discussion of Significant Departmental Variances and Other Issues (Cont'd.)**

- *Library (Cont'd.)*

personal savings was rebudgeted to 2006-2007 for the Smart Start San José preschool child care spaces program.

Library Grants were 12.5% below (savings of \$83,000) budgeted levels. A rebudget of \$101,700 was included in the Adopted Budget to fund family workshops for Books for Little Hands and Smart Start programs. However, the Department's Library Grants year-end appropriation balance was lower than estimated. As a result, a downward adjustment of \$18,634 is recommended as part of this report to reflect the balance available for the grant period.

- *Planning, Building and Code Enforcement*

The Planning, Building and Code Enforcement Department (PBCE) expended 92.0% of its General Fund budget, with resulting savings of \$2.7 million. By budget category, \$878,000 of the savings was in Personal Services and \$1,783,000 in Non-Personal/Equipment. The majority of the Personal Services savings was in the fee program (\$627,000) and Long Range Planning (\$167,000) due to vacant positions. The savings in the fee program are recommended in this document to be added to the Fee Reserves to reconcile actual fee program expenditures for 2005-2006.

A large portion of the Non-Personal/Equipment savings (\$887,000) was anticipated and rebudgeted to 2006-2007. The following projects were included in that rebudget amount: Facility Improvements (\$240,000), Development Services Website and Computer Related Equipment and Services (\$178,000), Contractual Plan Check (\$150,000), Code Enforcement fee funded vehicles (\$147,000), Multiple Housing Database Conversion (\$102,000), and Architectural Review Committee (\$70,000). In addition, a portion of the savings in Non-Personal/Equipment is the result of the planned decrease in expenditures in development-related areas (\$558,000). Additional rebudgets of \$171,426 of unexpended funds are recommended elsewhere in this report. They include \$60,000 for SNI Planning activities, \$50,000 for use to conduct a Comprehensive Study of Tow Services and Rates, additional funding to convert the Multiple Housing and Off-Sale Alcohol billing systems from the VAX system (\$38,000), and \$23,426 for a Code Enforcement Grant.

When comparing the program budgets with the actual costs for Building and Planning Permits, an excess of \$830,000 and \$355,000, respectively, results. These excesses are proposed in this document to be added to the existing reserves for development-related activities.



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**GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)**

**Discussion of Significant Departmental Variances and Other Issues (Cont'd.)**

- *Police*

Overall, the Police Department expended 98.2% of its total budget with resulting savings of \$4.3 million. Approximately \$2.1 million of these savings were in the Personal Services category. Overtime expenditures of \$5.5 million at year-end were 16.2% below the modified budget of \$6.6 million. Proactive management of overtime enabled the department to keep expenditures below the budgeted allocation by year-end, however, compensatory time balances for sworn personnel increased significantly. The compensatory time balance at year-end for sworn personnel totaled 229,808. This balance represented a 13.1% increase compared to the 2004-2005 total sworn compensatory time balance of 203,231.

In accordance with the Memorandum of Agreement (MOA) with the Police Officers Association, sworn personnel are able to maintain 240 hours of compensatory time. Sworn personnel with compensatory time balances that exceed 240 hours at the end of the last pay-period of the calendar year are required to reduce those balances to within the 240-hour limit within 150 days. Sworn employees were able to reduce 93.2% of the hours in excess of the 240-hour limit; however, 31 sworn employees were unable to fully implement their compensatory time reduction plans within the 150 days period. The majority of these personnel were still able to significantly reduce their excess balances, while some employees either subsequently retired or were on leave (disability or military), and as a result, were unable to use their compensatory time. At the end of the reduction period, only 1,369 excess hours remained to be taken. The Police Department will continue to monitor the balance, and to the extent possible, implement measures to curb the level of compensatory time accrued.

The Department's Non-Personal/Equipment budget was 89.3% expended, with savings of \$2.1 million. Police vehicle replacements savings of \$1.5 million contributed to a significant portion of the overall Non-Personal/Equipment savings. A portion of these savings for vehicle replacements (\$400,000) and vest replacements (\$46,000) are recommended for rebudget in this document.

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## GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

### Highlights of Non-Departmental Expenditures and Variances

The non-departmental categories consist of City-Wide Expenses, Capital Contributions, Transfers from the General Fund, Earmarked Reserves, and the Contingency Reserve. An overview of the expenditure performance in these categories is provided below:

**TABLE E**  
**2005-2006**  
**NON-DEPARTMENTAL GENERAL FUND EXPENDITURES**  
(In \$000s)

<b>Category</b>	<b>Modified Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>% Variance</b>
<i>City-Wide Expenses</i>	\$ 170,020	\$ 129,767	\$ 40,253	23.7%
<i>Capital Contributions</i>	25,320	10,465	14,855	58.7%
<i>Transfers</i>	6,432	6,432	-	0.0%
<i>Earmarked Reserves</i>	120,878	-	120,878	100.0%
<i>Contingency Reserve</i>	23,349	-	23,349	100.0%
<b>Total</b>	<b>\$ 345,999</b>	<b>\$ 146,664</b>	<b>\$ 199,335</b>	<b>57.6%</b>

- *City-Wide Expenses*

A total of 76.3% of the General Fund appropriation for City-Wide Expenses was expended, resulting in savings of \$40.3 million. Approximately 7.3% of this amount, \$29.8 million, was rebudgeted as part of the 2006-2007 Adopted Budget. Additional net adjustments totaling \$1.3 million are also recommended as a result of the year-end review, including additional rebudgets, downward adjustments to those appropriations that did not generate the amount of savings required to support rebudgets already approved, and revenue-related increases. Details of additional individual projects recommended for rebudget, rebudget adjustments, and other appropriation adjustments are shown in Section III.

After accounting for only the rebudgets already approved (\$29.8 million), and those recommended in this report (\$1.3 million, net of other adjustments), net savings in the City-Wide Expenses category totals approximately \$8.1 million. The largest amounts of savings were realized in the following City Service Areas:

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### GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

#### Highlights of Non-Departmental Expenditures and Variances (Cont'd.)

- *City-Wide Expenses (Cont'd.)*

Community & Economic Development – 2005-2006 budget to actual savings realized in this category were \$9.7 million. The 2006-2007 Adopted Budget included rebudgets totaling \$3.6 million, the most significant of which included \$1.4 million for Evergreen Smart Growth Strategy, and \$1.2 million for the Coyote Valley Specific Plan. Additional net adjustments are recommended as part of this report totaling \$634,000 and include, but are not limited to, additional unspent funds in Coyote Valley (\$82,000), Sports Opportunity Fund (\$96,000), City Hall Retail Space (\$300,000), and Stevens Creek Auto Row (\$135,000). After accounting for all rebudgets, adjusted net savings in this category totaled \$5.4 million. Due to a change by the Task Force to the original scope of the Evergreen Smart Growth Strategy, the earlier rebudget of \$1.4 million will be sufficient to complete this project.

Environmental & Utilities Services – 2005-2006 budget to actual savings realized in this category were \$730,000. The 2006-2007 Adopted Budget included a rebudget of \$786,000 for the Low Income Energy Fund. After accounting for this rebudget, including an adjustment as part of this report since the amount rebudgeted was higher than the year-end savings, net savings in this category totaled \$0.

Neighborhood Services – 2005-2006 budget to actual savings realized in this category were \$3.9 million. The 2006-2007 Adopted Budget included rebudgets totaling \$2.2 million, the most significant of which included \$650,000 for the Hoffman/Via Monte Neighborhood Youth Center, \$250,000 for the Vietnamese Cultural Heritage Gardens, \$240,000 for the Juvenile Justice and Delinquency Prevention Grant, and \$186,000 for the Neighborhood Revitalization Strategy. Additional net adjustments are recommended as part of this report totaling \$80,000 and include, but are not limited to, San José Learns Grant (\$134,000) and Strong Neighborhoods Initiative Implementation Team (\$117,000). The additional adjustments are being offset by some downward adjustments that are recommended to account for lower actual project year-end savings than what was assumed as part of the 2006-2007 Adopted Budget. After accounting for all rebudgets, adjusted net savings in this category totaled \$1.6 million. The net savings of \$1.6 million is mainly attributed to the after school grants. The grant cycle for all 21st Century Community Centers Program grants and the San Jose LEARNS grants ended when the school year ended. The remaining balance in these appropriations (21st Century Community Centers Program grants - \$834,000, and the San Jose LEARNS grants \$711,000) do not need to be rebudgeted because there is sufficient funding in 2006-2007 to fund programs needs.

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## GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

### Highlights of Non-Departmental Expenditures and Variances (Cont'd.)

- *City-Wide Expenses (Cont'd.)*

Public Safety – 2005-2006 budget to actual savings realized in this category were \$8.1 million. The 2006-2007 Adopted Budget included rebudgets totaling \$7.9 million, the most significant of which included \$5.3 million for the Urban Area Security Initiative appropriations, \$527,000 for the Automated Fingerprint ID System, \$500,000 for the Domestic Violence Prevention Program, and \$500,000 for the Emergency Response and Preparedness Risk/Treat Assessment. Additional net adjustments are recommended as part of this report to account for project year-end savings coming in less than was assumed when developing the 2006-2007 Adopted Budget. After accounting for all rebudgets, adjusted net savings in this category totaled \$171,000.

Transportation & Aviation Services – 2005-2006 budget to actual savings realized in this category were \$200,000 and primarily reflect savings in the Contractual Street Tree Planning (\$90,000) and City Hall Interim Parking (\$52,000). The rebudget of these project savings are recommended as part of this report, and including these rebudgets, adjusted net savings in this category totaled \$58,000.

Strategic Support – 2005-2006 budget to actual savings realized in this category were \$17.7 million. The 2006-2007 Adopted Budget included rebudgets totaling \$15.3 million, the most significant of which included \$5.0 million for General Liability Claims, \$4.8 million for Sick Leave Payments, \$1.0 million for Workers' Compensation Claims, \$1.3 million for Sr. Staff Home Loan Assistance, and \$521,000 for Energy Usage. Additional net adjustments are recommended as part of this report totaling \$305,000 and include, but are not limited to, \$241,000 for the Customer Service and Information Center, and \$86,000 for the Arena Community Fund. After accounting for all rebudgets, therefore, adjusted net savings in this category totaled \$2.1 million. The largest amount of unbudgeted savings occurred in the General Liability Claims appropriation (\$513,000), C-UBS Project (\$308,000), and the Revenue Enhancement Consulting Services appropriation (\$322,000), with smaller amounts in various other appropriations.

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## GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

### Highlights of Non-Departmental Expenditures and Variances (Cont'd.)

- Capital Contributions*

In 2005-2006, the General Fund provided funding totaling \$25.3 million for capital projects. Of this amount, approximately \$14.9 million was unexpended at year-end. The projects with the largest unexpended balances included:

<u>Capital Projects</u>	<u>(\$000s)</u>
COPS 2003-2004 Interoperable Communications	4,818
Watson Site Planning and Remediation	2,000
Converged Network and Telephony System	1,572
Fire Apparatus Replacement and Repair	1,275
Tamien Station Skateboard	622
Parks and Recreation Bond Projects	588
Southside Community Center Portables	401
Alviso Education Center	394
Mayfair Summer Aquatics	379
Arena Repairs	347
City Hall Outstanding Needs	275
Convention Center Marquee	266
Northside Center Project	238
Towers Lane Improvements	217
Watson Park Clean-up and Restoration	201
All Other Projects	<u>1,162</u>
Total Unexpended Capital Projects	<b>\$ 14,855</b>

Of the \$14.9 million in unexpended funds, a large portion (\$12.3 million) was rebudgeted as part of the 2006-2007 Adopted Budget. An additional net total of \$2.4 million is recommended for rebudget as part of this report. After adjusting for rebudgets, the net savings in the General Fund Capital category was only \$124,000.

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**GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)**

**Highlights of Non-Departmental Expenditures and Variances (Cont'd.)**

- *Transfers*

Actual Transfers to other funds totaled \$6.4 million with all transfers being completed as budgeted.

- *Reserves*

General Fund Reserve categories include Earmarked Reserves, the Contingency Reserve, and the Ending Fund Balance Reserve. On June 30, 2006, the total Reserve balance was \$144.2 million. Of this amount, \$78.6 million represented Earmarked Reserves, the largest of which were the 2006-2007 Future Deficit Reserve (\$18.4 million); Development-Related Activities Reserves (\$15.4 million); Salary and Benefits Reserve (\$12.0 million); Workers' Compensation Reserve (\$10.0 million); Enhanced Park Maintenance (\$6.9 million), and Future Capital Projects (FF&E) Reserve (\$5.3 million).

All of the Earmarked Reserves were approved for rebudget to 2006-2007 (\$55.6 million) as part of the Adopted Budget and appropriated as reserves, or were used as solutions to the 2006-2007 General Fund shortfall (\$22.8 million). The Ending Fund Balance Reserve of \$42.3 million was allocated as part of the 2006-2007 Adopted Budget Beginning Fund Balance.

At the end of the year, the General Fund Contingency Reserve balance was \$23.3 million. During 2005-2006, the Contingency Reserve decreased by a net total of \$1.5 million from the Adopted Budget level of \$24.8 million. The following adjustments were approved during the year:

- A decrease of \$100,000 to provide funding for the Norcal Garbage Contract investigation.
- A decrease of \$500,000 to support relief and recovery assistance as a result of Hurricane Katrina (restored as part of the Annual Report in October).
- A decrease of \$100,000 for an elections commission evaluator and investigator services.
- An increase of \$100,000 to reflect the return of the amount previously transferred for an elections commission evaluator and investigator services.
- An increase of \$500,000 to reflect the return of the amount previously transferred to support relief and recovery assistance as a result of Hurricane Katrina.
- A decrease of \$500,000 to provide funding for an Emergency Response and Preparedness Risk/Threat Assessment.

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**GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)**

**Highlights of Non-Departmental Expenditures and Variances (Cont'd.)**

- *Reserves (Cont'd.)*
  - A decrease of \$1.3 million to provide funding for the Amended and Restated Agreement to Conduct a San José Grand Prix.
  - A decrease of \$135,000 to help pay for the upgrade of the Human Resource/Payroll System.
  - A decrease of \$50,000 to provide funding to implement the preliminary work plan efforts for a fully public-funded voter-owned campaign ordinance.
  - A decrease of \$135,000 to establish an appropriation for the Stevens Creek Auto Row Area Plan.
  - An increase of \$1.0 million to maintain the Contingency Reserve at its 3% Council Policy Level (restored as part of the 2005-2006 Year-end Clean-up Actions).
  - A decrease of \$300,000 to provide funding for City Hall retail space.

The year-end General Fund Contingency Reserve balance of \$23.3 million represented approximately 2.7% (slightly below the City Council policy level of 3%) of total budgeted expenditures (excluding encumbrances, the Contingency Reserve, the Workers' Compensation Reserve, the Ending Fund Balance Reserve, and the 2006-2007 Future Deficit Reserve). At the beginning of each year, the reserve is established to meet the City Council's reserve policy level of at least 3% of expenditures. To that end, the Reserve was restored to the 3% level as part of the 2006-2007 Adopted Budget. During the year, however, the reserve level may drop below 3% if there are significant additions to General Fund expenditures, or if there are significant uses of the Contingency Reserve.

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## GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)

### Review of Overtime Expenditure Performance

Throughout the fiscal year, the Administration closely monitors and reports on overtime expenditures in the Monthly Financial Reports. A review of the overtime performance has been included in this report to provide an overall reconciliation for the year and to address the City Council's interest in this particular category. Overall, for all funds, the overtime budget of \$23.5 million produced year-end savings of \$2.0 million or 8.4%. The following table provides departmental overtime expenditure and variance information for 2005-2006.

**TABLE F**  
**2005-2006**  
**Departmental Over-Time Expenditures and Variances**

Department	Modified Overtime Budget General Fund	Modified Overtime Budget Other Funds	Modified Overtime Budget TOTAL	Overtime Actuals General Fund	Overtime Actuals Other Funds	Overtime Actuals TOTAL	Total Budget to Actuals Variance	% Variance
Airport	\$ -	\$ 398,709	\$ 398,709	\$ -	\$ 243,703	\$ 243,703	\$ 155,006	38.9%
City Attorney	33,640	-	33,640	3,503	382	3,885	29,755	88.5%
City Auditor	-	-	-	-	-	-	-	N/A
City Clerk	-	-	-	1,664	-	1,664	(1,664)	N/A
City Manager	101,399	-	101,399	43,402	-	43,402	57,997	57.2%
Convention Facilities	-	209,006	209,006	-	420,009	420,009	(211,003)	(101.0%)
Economic Development	14,000	-	14,000	1,504	-	1,504	12,496	89.3%
Emergency Services	-	-	-	691	-	691	(691)	N/A
Employee Services	24,755	-	24,755	19,719	70	19,789	4,966	20.1%
Environmental Services	-	786,510	786,510	1,386	948,642	950,028	(163,518)	(20.8%)
Finance	31,548	29,996	61,544	15,947	5,472	21,419	40,125	65.2%
Fire	12,811,625	-	12,811,625	12,495,847	-	12,495,847	315,778	2.5%
General Services	434,125	161,398	595,523	348,588	206,450	555,038	40,485	6.8%
Mayor & City Council	-	-	-	481	-	481	(481)	N/A
Housing	-	33,572	33,572	-	563	563	33,009	98.3%
Independent Police Auditor	1,661	-	1,661	6,956	-	6,956	(5,295)	(318.8%)*
Information Technology	174,011	-	174,011	70,938	7,700	78,638	95,373	54.8%
Library	150,406	-	150,406	24,904	19,138	44,042	106,364	70.7%
Parks, Rec & Neigh Svcs	250,803	3,000	253,803	152,358	833	153,191	100,612	39.6%
Planning, Bldg & Code Enf	404,416	-	404,416	370,675	1,311	371,986	32,430	8.0%
Police	6,576,557	-	6,576,557	5,511,021	-	5,511,021	1,065,536	16.2%
Public Works	46,326	1,715	48,041	39,549	6,006	45,555	2,486	5.2%
Transportation	427,259	401,257	828,516	297,599	269,116	566,715	261,801	31.6%
	\$ 21,482,531	\$ 2,025,163	\$ 23,507,694	\$ 19,406,732	\$ 2,129,395	\$ 21,536,127	\$ 1,971,567	8.4%

\* The Independent Police Auditor requested approval to increase their overtime allocation by \$6,000 funded through salary savings. The adjustment was received too late to be recommended in the year-end cleanup actions document that was heard by the City Council on June 20, 2006.

While General Fund overtime expenditures in 2005-2006 represented only 4.6% of the total General Fund Personal Services expenditures, they do provide an important tool for departments to meet service demands. This is especially true given this City's long-standing philosophy of maintaining permanent staffing at the smallest level possible. Given the minimal staffing



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**GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)**

**Review of Overtime Expenditure Performance (Cont'd.)**

available, use of overtime is often the most cost efficient, or the only way that a department can respond to unforeseen variations in service requirements. For most departments, overtime is typically used to offset the impact of vacancies, to address increases in activity levels, to respond to seasonal workload increases, or to implement service improvements.

As approved by City Council in February 2003, one of the budget control actions implemented by the Administration was to create procedures to have all overtime expenditures be personally pre-approved by department directors, and to require that overtime be used for only emergency or genuinely unavoidable purposes. With these controls in place, departments generally stayed within budgeted levels, with only two departments significantly exceeding their General Fund overtime budgets: the Convention Facilities and Environmental Services Departments. A discussion of all departments' overages in excess of \$1,000, as well as overtime performance for the Police and Fire Department follows.

The Convention Facilities Department's overtime expenditures exceeded budget by \$211,000 (101%), primarily due to efforts necessary to offset the impact of the department's high vacancy rate of approximately 14%. Existing employees worked overtime to provide coverage for the hours that would normally have been worked by full-time positions to maintain the operation of the convention facilities.

Environmental Services Department's overtime expenditures exceeded budget by \$164,000 (20.8%) primarily to offset the high vacancy rate in the department. Personal Services savings from these vacancies was sufficient to allow the department to end the year within the overall budget estimate.

The Fire Department's overtime expenditures of \$12.5 million ended the year \$316,000 below the modified budget level of \$12.8 million. Overtime usage is largely attributed to fulfilling minimum staffing requirements. The department's budget included a significant augmentation to the 2005-2006 overtime expenses based on Budget Office and Fire Department analysis as reported to Council through the Making Government Work Better Committee.

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**GENERAL FUND EXPENDITURE PERFORMANCE (CONT'D.)**

**Review of Overtime Expenditure Performance (Cont'd.)**

The Police Department's overtime expenditures of \$5.5 million at year-end were significantly (16.2%) below the modified budget of \$6.6 million. Implementation of Department guidelines on overtime usage and proactive management of the overtime budget continue to be very successful and enabled the Department to keep expenditures well below its allocation by year-end. Significant savings in overtime usage were also realized in administrative functions and other non-emergency response activities.

Although the Office of the Independent Police Auditor exceeded their budget by \$5,000, the Office had proactively addressed overtime needs by requesting approval to increase their overtime budget by \$6,000 funded through salary savings. The requested adjustment, however, was received too late to be recommended in the year-end cleanup document that went to the City Council on June 20, 2006. In addition, although the Office of the City Clerk eliminated their overtime budget in 2005-2006 as part of the budget balancing process, \$1,664 of overtime was incurred in order to pay aged comp time payoffs.